

To the Members of the California State Senate:

I am returning Senate Bill 1086 without my signature.

One of my Administration's top priorities is to preserve our state's cultural and natural resources. Last year my budget contained an increase of over \$46 million in General Fund for programs in the Resources Agency intended to preserve and restore our natural environment. Last year I signed legislation creating the Ocean Protection Council, the 25 million acre Sierra Nevada Conservancy, regulating and restricting bottom trawling, and my Administration facilitated the permanent preservation of the 82,000 acre Hearst Ranch including 18 miles of pristine coastline along scenic Highway 1.

This bill extends through July 1, 2011, a funding formula in statute which has not been followed for the past 5 out of 8 years. These funding priorities established in 1998 may no longer reflect the top priorities of the state, like flood control and levee restoration, ocean and resource protection, and water quality issues, to name a few.

My administration continues to work with stakeholder groups developing a plan for a sustainable Resources Agency budget. The tidelands oil revenues are just one source of funding available to make this long awaited goal a reality.

My preference is to work with the Legislature in the budget process to determine appropriate spending priorities, both short term and long term, for this revenue source.

Sincerely,

Arnold Schwarzenegger